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ABSTRACT

This paper presents an overview of the current status of child care in the United States. It provides a framework for discussing strategies to expand the supply of child care, improve its quality, and make it accessible to all families. Child care is defined, and factors that influence the quality of care are listed. The demand for child care is examined in terms of the changing nature of the American family and the entry of women into the labor force. The demand is met by various types of child care, such as family and center care, or care by relatives. The costs of child care to parents and to providers are discussed. Three chief sources of additional funding for child care programs are listed. The federal government provides assistance through the Social Service Block Grant, Head Start programs, the Child Care Food Program, the Dependent Care Tax Credit, and the Family Support Act. State governments also provide aid to child care; perform the functions of regulation and establishment of child care infrastructures; and encourage child care support through nonbudgetary means. Private employers support child care by offering their employees a host of child care benefits. A 28-item bibliography is provided. (BC)

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Child Care Currents

a briefing paper

for

Constructing Care Roundtable

November 28, 1990

New York City

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American children live in a world drastically different from the one in which their parents were raised. Sweeping changes in the American economy, in the makeup of the labor force, and in family structure have altered both the family and the workplace, and have changed the way society must respond to family needs.

Our response to these changes has been slow. Families have been left to struggle on their own to balance work demands with the needs of their children, and increasingly, their elderly parents. The supply of child care is inadequate, especially for school-age children and for infants. Even in those areas of the country where adequate supply exists, quality is uneven. In those areas where quality care is available, many parents cannot afford to pay the full fees for such care.

Public officials and corporate leaders have begun to look for ways to expand and improve child care, in order to improve the quality of life in their communities, and to serve the needs of their employees. Child care has moved from an exclusively private concern to a public issue. Although some states and a small proportion of employers have made direct investments in child care, the overriding question remains: "Where will the money come from to expand and improve child care programs?"

There are two aspects to this latter question for any leader interested in improving the quality of child care and making it equally accessible to families at all income levels: 1) How can

capital, or start-up monies, be generated to construct new facilities or to improve existing programs?; and 2) Where will the money come from to make up the gap between what parents can afford to pay for care and what it costs to provide quality services?

These questions need to be answered on both a global and local level. Financing requirements will vary from region to region, but the need for additional monies is particularly acute for the following:

1) To create quality infant care in centers and family child care homes;

2) To improve existing child care facilities and family child care homes for toddlers and preschool children;

3) To expand programs for school age children, both within the public schools and in community centers;

4) To improve training, salaries and working conditions for providers; and

5) To help parents pay for quality, dependable care.

This paper presents an overview of the current status of child care in the United States. It provides a framework from which we can discuss strategies that will address the need to expand the supply of child care, improve its quality, and make it affordable and accessible to all families who need it.

What is Child Care?

For the purpose of this discussion, child care is the adult, non-parental, supervision of preschool children, and of school-aged children during non-school hours. A sizable number of two-parent families work opposite shifts so that the parents themselves can accommodate most of the child's needs. Nearly half of all families who require child care use some form of relative care. Relative care may include care by a grandparent, sister, or aunt. Non-relative care includes care in a family child care home[1], a child care center, and in-home care by a non-relative.

A Definition of Quality

Parents and child care providers have differing perceptions of quality, but early childhood experts have found that five factors have a positive influence on a child's development: 1) small group size; 2) appropriately trained caregivers; 3) stable child-caregiver relationships; 4) developmentally appropriate activities; 5) high staff-child ratios.[2] Note that four of these five characteristics relate to staff.

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[1] The exact definition of a family child care home varies from state to state, but all are private residences where care is provided to a limited number of unrelated children -- typically no more than six.

[2] See for example. Deborah A. Phillips, Quality in Child Care: What Does Research Tell Us?, NAEYC, Washington, D.C., 1987.

The Demand for Child Care

The Changing Family

Fewer than 10% of households in the United States today match the stereotype of the family that many of us still think of as the norm: the husband at work with the wife at home to raise the children.[3] Two-thirds of all married couples are two-earner families. One quarter (15.3 million) of all children live with a single parent.[4] Mothers of young children have been the fastest growing segment of the labor force for the past two decades; in 1989 52% of mothers returned to work before their babies' first birthday.[5] If current trends continue, by 1995, two-thirds of pre-school children and three quarters of school age children will have mothers in the labor force; most of them will require some form of non-parental child care.[6]

The majority of women who work do so out of economic necessity. Two-thirds of all women working outside of the home are single, widowed or divorced, or are married to men who earn less than $15,000 per year.

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[3] Calculated from Census Bureau data, 1989.

[4] U.S. Department of Commerce. Bureau of the Census. "Studies in Marriage and the Family." Current Population Reports Series P-23, No. 162, 1989, p.5

[5] U.S. Bureau of Labor Statistics, 1988.

[6] S.L. Hofferth & D. A. Phillips, "Child Care in the United States, 1970 to 1995, "Journal of Marriage and the Family, 49, pp 559 to 571, 1987.

Nearly 87 percent of all single parents are mothers, and their children are at greater risk of living in poverty than any other group.[7] Single mothers have very little choice other than to work outside of the home. They are unlikely to receive child support. Reliance on welfare, inadequate as it is, will no longer be an option for many of these women. Recent government policy, embodied in the Family Support Act of 1988, requires mothers of children over three years of age who are on welfare, to be in a job training or education program, or to enter the labor force in order to be eligible for any welfare benefits.

Two parent families are finding it increasingly difficult to maintain their standard of living on a single income. Between 1973 and 1986, the median annual earnings of young (under 30) heads of households with children declined 39%.[8] As a result families have become more dependent on a second paycheck and more and more women are seeking employment.

In 1960, women comprised just over one-third of the labor force; today women make up close to half of the labor force. Eighty percent of these women are of childbearing age, and 93% are expected to have a child at some point during their working lives.[9]

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[7] Census, "Studies in Marriage and the Family", March, 1989.

[8] From a study by the Congressional Budget Office, cited in Spencer Rich, "The Twilight of the Big-Paycheck, Blue-Collar Era," The Washington Post National Weekly Edition, (13-19, June 1988).

[9] Interview with Sheila Kamerman, November 1990.

The Economy Needs Women in the Labor Force

Employers, faced with an aging workforce, declining growth in the labor force, an eroding supply of new entrants, and a pool of workers with fewer skills, need to find new ways to attract and retain qualified employees. Over 90% of service firms anticipate workforce shortages in the 1990's, as do 80% of manufacturers.[10] The Labor Department predicts that, during the next five years, two of every three new jobs will need to be filled by women.[11]

Employers are also confronting the low achievement among students today -- their future workforce. Nearly 25% of all students drop out of high school before graduation. Nearly 20% of large employers surveyed by the Conference Board say they are having problems finding workers who read well enough for entry-level jobs.[12] These employers are becoming increasingly interested in improving the nation's education system. A few have begun to recognize that quality early childhood programs -- including child care -- are key to a child's later success in school.

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[10] The Conference Board, Research Bulletin, 1990.

[11] William B. Johnston, Workforce 2000, Indianapolis, Hudson Institute, June, 1987, p.xx.

[12] The Conference Board, as quoted in the Wall Street Journal, October 9, 1990.

The Child Care Market

Child care is produced by a variety of providers, including family members, family day care providers, non-profit organizations, small entrepreneurs, and some large companies. The use of center based care has risen faster than any other segment; its use has doubled in the past ten years, from 13.6% of all children in 1977 to 25.4% in 1987, the latest year for which data are available.[13] (See Table 1, p. 8) Center based care is most frequently used by families with higher incomes and by mothers employed full time. About half of all centers are operated by non-profit agencies. Approximately one-third of all centers are housed in religious institutions. The for-profit segment includes a large number of providers who operate from one to three centers. The large for-profit operators, including such companies as Kinder-Care, La Petite Academy, and Bright Horizons, have 3% of the total center market.

The use of relatives (not including the father) to provide care has declined by 9 percentage points since 1977, from 31 percent in 1977 to 22 percent in 1987.[14] This trend may be a reflection of the growing proportion of women entering the labor force; fewer women are available to care for related children.

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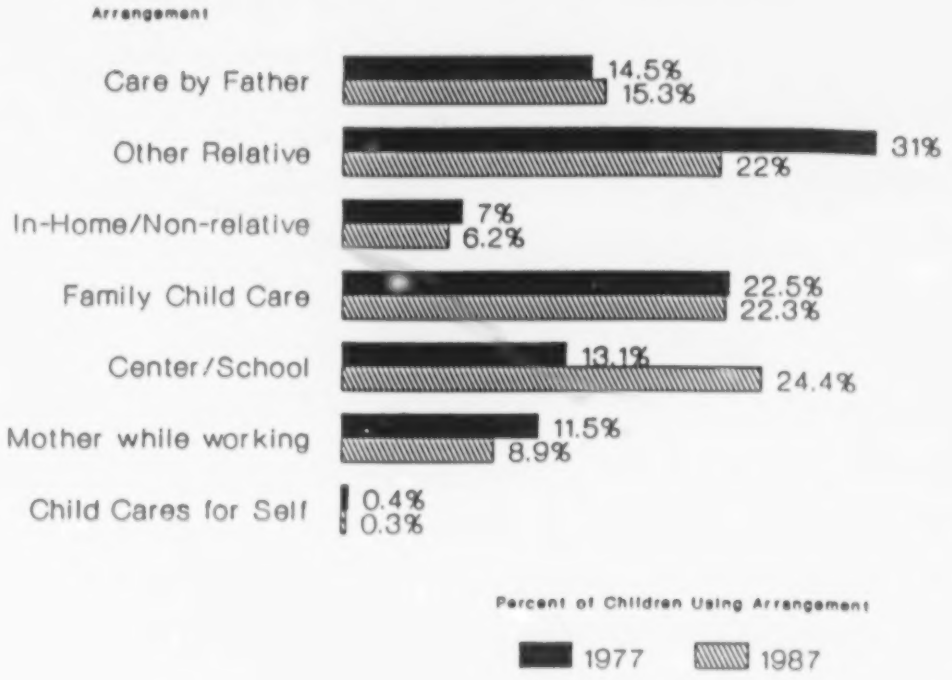
[13] U.S. Department of Commerce, Bureau of the Census, "Who's Minding the Kids?, 1986-87," Current Population Reports, Series P-70, No. 20, 1990.

[14] Ibid.

TABLE 1 Pre-school Child Care Arrangements
A Comparison: 1977 and 1987



Source: U.S. Bureau of Labor Statistics

Public attention to the child care crisis has been focused on the needs of pre-school children, and, in fact, the shortage of care is particularly acute for infants. However, school-age children also need supplemental care. They spend 80% of their waking hours out of school. At least two million school-aged children care for themselves before or after school. In some communities the percentage of latchkey children approaches twenty-five percent of all children.[15]

Parents choose child care using three criteria: quality, cost and convenience. Although parents cite quality as their primary consideration, they measure quality differently from the way professionals define it; they are most concerned about the safety of the program, its consistency with their values, and their relationship to the caregiver.

Approximately 25 million children between 5 and 14 years of age, and 11 million children under the age of 5, have mothers in the labor force. Nationally, licensed or regulated care is able to serve roughly 5.2 million children, four million in 76,000 licensed child care centers, and 1.2 million in 187,000 licensed or registered family child care homes.[16] Each state sets its own regulations and standards for center and family child care. Fourteen states exempt family child care providers who care for

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[15] U.S. Department of the Census, 1987, and Michelle Seligson and Dale Fink, No Time To Waste, Wellesley College Center for Research on Women, School Age Child Care Project, 1989, p. xi.

[16] Child Care Action Campaign, unpublished data, September, 1990.

one through five children. For centers, states commonly set building code and safety standards and staff/child ratios. Twenty-five states do not require any education or training prior to employment for center-based caregivers, although 39 states require caregivers to receive some form of ongoing training. These regulations are not, however, a guarantor of quality. Thirty-two states do not meet the National Association for the Education of Young Children accreditation standard for staff/child ratio for children four years of age, and 25 states do not regulate group size -- a key determinant of quality. Moreover, the quality of the teaching staff is the critical variable in maintaining quality programs, and wages for providers are low in every state.[17]

The Cost of Quality Care

What Parents Can Pay

The price that parents are able to pay is a key factor in their choice of child care arrangements. Recent Census data reveals that families spend an average of $2,500 a year on child care. Poor families spend a higher proportion (20 to 26%) of their income on child care than do families with higher income levels (5%).[18] The price that parents pay is highly dependent on the type of arrangement, the age of the child, geographic

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[17] Gwen Morgan, State Child Care Regulations, unpublished manuscript, Boston, Work/Family Directions, 1989.

[18] "Who's Minding the Kids?", op.cit.

location, the number of hours in care. Typically, the younger the child and the more urban the location, the higher the price. Most parents have more than one arrangement for their child.

A significant portion of the population cannot afford even the average cost of care. Those parents who cannot pay this price are faced with three basic choices: they can drop out of the labor force, they can work fewer hours, or they can choose less than optimal care for their children. All of these choices affect a family's standard of living, and the economy of the entire country.

Relative care is commonly thought to be the least expensive form of care, and some families pay nothing for such care. But at least one recent study shows that those families that pay for relative care pay almost as much as they would for any other arrangement.[19]

The Cost To Providers

The true cost of care is greater than the fees most parents pay. The cost to child care providers of providing care is highly dependent on state regulations, which typically focus on the most expensive part of the operation, staff. Since child care is a labor intensive service, the cost of providing care, and the fees for service, will depend heavily both on the staff/child ratio, and on the wages and benefits paid to teaching staff.

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[19] Caroline Zinsser, One Hundred Working Women, Balancing Employment and Child Care, New York, Center for Public Advocacy Research, July, 1988.

The costs of child care are subsidized in numerous ways. Title XX of the Social Services Block Grant, and some state programs, reduce the overall price to low-income parents. The low wages that child care providers earn, in both centers and family child care homes, help keep the price to parents down. These low wages, and the low status of the child care profession, account for a turnover rate among providers of approximately 41 percent annually.[20] This turnover reduces the quality of care children receive; continuity is a critical component of quality, though it is more difficult to quantify than staff/child ratios.

The National Association for the Education of Young Children (NAEYC) reports that the average annual cost per child in NAEYC accredited centers, (which maintain staff/child ratios and provide the type of program that the field associates with quality) is $4,070. However, if staff salaries were to be raised to a level comparable to other professionals with similar training and responsibilities, the cost of providing such care would approach $7,000 to $8,000 annually.[21]

Capital and Operating Costs

It costs approximately $500,000 to construct a new child care facility for 100 children.[22] The cost of renovating an

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[20] Child Care Employee Project, National Child Care Staffing Study, pp. 8-12, November, 1989.

[21] interview with Fred Glantz, Abt Associates, May, 1990.

[22] Interview with Cheri Sheridan, president, PKI Co. Ltd., November, 1990.

existing facility is nearly 50 percent less while the cost of creating adequate space in a family child care home is much lower. However both center operators and family child care providers have had difficulty finding the start up monies they need to create new programs or to improve existing ones. It is difficult for providers to obtain conventional financing. Even if they are able to do so, the cost of amortizing the debt adds to the already high cost of operating the program.

Even more intractable is the problem of subsidizing the on-going operating expenses of the program. Operating costs per child range from $50 to $200 per week. There are some sources of public subsidy for low income parents, but there has been a great deal of public resistance to the notion of using general revenues to help parents pay for child care. Two new federal programs -- the Family Support Act (1988) and the Child Care and Development Block Grant (1990) will add federal dollars to existing subsidies. But these will not be sufficient to solve the problem.

Current Sources of Financing Child Care

It is difficult to estimate the shortfall between what currently exists and what needs to be generated to create a viable system of quality child care services, which provide parents with a range of choices of care. Estimates range from $32

billion[23] to $75 to $100 billion.[24] What follows is a brief description of current sources of child care financing.

The Federal Government

Over the past decade, the federal role in child care has shifted from a focus on supply side subsidies for programs such as Head Start and the Social Services Block Grant, to demand side subsidies such as the Dependent Care Tax Credit and Dependent Care Assistance Programs. In fiscal year 1988, federal spending for child care totaled over $6.6 billion and was provided through 46 programs.[25] Until the Child Care Development Block Grant was passed in this session of Congress, there was no federal program specifically for child care. Nearly 89% of all child care funding (excluding Department of Education funds) goes towards four programs: the Social Services Block Grant, Head Start, the Child Care Food Program, and the Dependent Care Tax Credit. No federal agency coordinates the federal child care efforts.[26]

1. Social Services Block Grant

The Social Services Block Grant (SSBG) is the major direct federal funding source of child care subsidies for low-income families. Federal funding for the SSBG program has dropped by 58% over the past decade, in 1988 dollars. In 1977 the program

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[23] Gwen Morgan, "Two Visions of Child Care," unpublished manuscript, november, 1987.

[24] Edward Zigler and Mary Lang, Child Care Choices: Balancing the Needs of Children, Families and Society, New York: The Free Press, 1991.

[25] General Accounting Office, "Child Care: Government Funding Sources, Coordination and Service Availability. Washington, D.C., General Accounting Office, October, 1989, p.9.

[26] Ibid., p. 15.

was funded at $1.6 billion; in 1988, the total SSBG funding was $660 million. Although income eligibility varies from state to state, states typically require recipients to be employed or to be in job training, or for a child to be at risk of abuse. Not surprisingly, each state has a long waiting list of families in need of subsidy assistance.

Although SSBG is a primary source of child care funds, it is not primarily a child care program. States may use SSBG to fund a host of social service needs. Child care assistance often competes with other human services for funding. States have discretion over the proportion of federal SSBG funds they allocate to child care and the amount, if any, state funds to add. Because eligibility varies from state to state, a family which qualifies for assistance in one state may be ineligible in another.

2. Head Start

Head Start, a federal preschool program, provides part-day child care to disadvantaged children between the ages of 3 and 5. Today, Head Start serves over 450,000 poor children nationwide, at an annual cost of $1.2 billion.

Countless studies have demonstrated that Head Start is enormously successful -- it improves a child's likelihood of entering kindergarten better prepared intellectually, emotionally, and socially. Head Start is a vital service providing pupils nutritionally sound meals, comprehensive medical and dental exams, and counseling.[27]

Head Start, however, is able to serve only 18% of the nation's eligible children. Moreover, because it is a part-day program, parents who work full-time must make additional child care arrangements and must have transportation time to the second arrangement. Federal spending for Head Start per child has declined in real dollars, from $3,084 in 1981 to $2,672 in 1989.[28]

3. Child Care Food Program

The Child Care Food Program (CCFP), established in 1968, enables child care providers serving needy children to serve nutritious meals. The Food Program provides up to two meals to 1.9 million children being cared for in family child care homes, Head Start centers, and other non-profit centers that receive

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[27] See for example, Fortune, special education issue, 1990 p. 36.

[28] Day Care USA, p.3, May 1990.

CCFP funds. In 1988, funding for this program totaled nearly $6 million.[29]

4. The Dependent Care Tax Credit

The Dependent Care Tax Credit (DCTC) is a demand side subsidy. It allows parents to subtract between 20% and 30% of their child care expenses from their tax liability, up to a maximum of $720 for one child and $1,440 for two or more children.[30] Over 60% of all federal child care spending is accounted for by this tax credit. Because most low-income families have limited tax liability and because the credit is not refundable, the DCTC does little to help low income families purchase quality child care. Of the 4.6 million families who claimed the DCTC in 1981, 64% earned more than the median income. Over half of the subsidy recipients are middle and upper middle income families, who spend a smaller proportion of their income on child care than lower income families.

5. Family Support Act

The Family Support Act of 1988 links a welfare recipient's ability to train for and retain a job with the need for child care. The Act requires eligible recipients to participate in state-sponsored education and training, job search and work programs in return for income, health care and child care benefits. The Act also provides transitional child care; AFDC recipients who obtain employment are entitled to 12 months of subsidized child care to better enable them to make the shift from public support to self-sufficiency. Child care spending under the Family Support Act may total $3 billion.

6. Early Childhood Education Programs

In addition to subsidized child care programs, the federal government also funds early childhood programs under the auspices of the Preschool Handicapped program, and Chapter 1. These programs provide key federal funds for early childhood and developmental programs to preschoolers in each state.

The Preschool Handicapped program also referred to as 94-457, began in 1986 and has two components: Part H -- also referred to as the Birth through Two program, and Section 619 -- the Preschool Grants program.

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[29] Op cit., General Accounting Office, Child Care, p.9.

[30] Philip K. Robins, "Federal Financing of Child care: Alternative Approaches and Economic Implications", unpublished paper commissioned by the Child Care Action Campaign, 1988.

The Birth through Two program services an estimated 100,000 children across the country, and provides federal funds to assist states in the development and implementation of early intervention programs to infants and toddlers with physical and mental disabilities. States are not required to provide assistance to all eligible children until their fifth year of operation -- 1991. It is up to each state to define what disability is, and whom they will serve. States are awarded federal funds based upon the number of infants and toddlers in their general population. In fiscal year 1990, federal support for the program amounted to $79.5 million.

Section 619 is a grant program designed to assist states with the provision of special education and related services to meet the educational needs of preschoolers with disabilities. States are awarded funds based on the number of children they are serving. In fiscal year 1990, $251.5 million was distributed to the states, and approximately 350,000 children were served.

Chapter 1 provides federal support to local school districts serving disadvantaged children, grades kindergarten through twelfth grade. Funds are awarded to local school districts that have high concentrations of poor children, and funding levels are based on the number of children living below the poverty line in each district. Each school district may define it's disadvantaged population.

Although the majority of Chapter 1 children are grades one through six, Part b of Chapter 1, commonly referred to as Even Start, provides discretionary grants to local school districts to set up early childhood and adult education family programs.[31]

State Governments and Child Care

While some states view child care as a priority issue, others have failed to initiate substantial policies to address child care. In 1990, states spent an estimated $1.58 billion on a variety of child care programs.[32] States play three key roles in child care delivery; they are regulators, financiers, and builders of a child care infrastructure.

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[31] Interviews with Department of Education, October, 1990.

[32] Estimated by the Child Care Action Campaign, 1990.

1. States As Regulators

As regulators, states promote quality care by setting standards for child care providers and child care facilities, and monitoring compliance with these standards. Standards are commonly set for group size and child/staff ratios, both of which are considered key determinants of quality care.

Although training for providers is one of the key determinants of quality, only 19 states require some form of training for family day care providers, 39 states mandate training requirements for child care centers, and 42 states have implemented training requirements for both homes and centers. No states regulate provider wage rates; in many cases, the Federal minimum wage sets the standard for provider salaries.

2. States As Financiers

States use an assortment of federal funds to subsidize child care for low income families, youth employment, preschool children, and at risk youth. Funds are distributed through a number of programs including: the Social Services Block Grant, the Dependent Care Planning and Development Grant, Job Training Partnership Act, the Community Development Block Grant, Head Start, and Child Development Associate monies.

Thirty states have also implemented a dependent care tax credit in addition to the federal tax credit, to help families offset the cost of caring for children or older relatives.

Often, four or five agencies administer one or another of these child care programs. They frequently do so without communicating or coordinating their efforts with the other agencies.

States also allocate state funds for child care. The amounts and purposes of such allocations vary with the economic and political climates in the state.

3. Building A Child Care Infrastructure

Many states have encouraged the development of resource and referral networks, promoted employer-assisted child care, and helped to create public/private partnerships for child care. Twenty-eight states currently fund resource and referral agencies, which help parents find care, and work to create new supply. Other states have become model employers and have developed progressive parental leave policies and/or have constructed child care facilities for their employees.

4. Off Budget Financing For Child Care

State policy-makers, motivated by the changing economics and demographics, are exploring new ways to leverage limited public monies to create funds to address child care -- to increase the supply of quality, affordable child care in their states. In its effort to study new financing approaches for child care, CCAC has examined three off-budget strategies for financing child care: employer tax credits, real estate developer initiatives, and state grant and loan Programs. The Center for Policy Alternatives has initiated an examination of how the banking community can play a role in child care finance. Some of these efforts, notably developer initiatives and grant and loan programs, have been more effective than others.

Employer Tax Credits. Although more and more states have implemented tax credits to employers to encourage them to provide child care benefits, employer tax credit programs have not met with great success. In 1989, 13 states established employer tax credit policies. Legislation was pending in 13 additional states. The tax credits have only induced a limited pool of employers to offer some kind of child care benefit; tax credits have been used by fewer than one percent of the eligible employers.[33]

Incentives for Real Estate Developers. The involvement of real estate developers in the provision of child care has been steadily increasing in recent years. Two government initiatives to involve developers in the financing of child care, linkage legislation (mandates which require developers to construct child care space or contribute to a child care fund), and bonuses (zoning incentives that reward developers who build child care) have grown in popularity in recent times.

To date, 30 localities have either implemented, or are considering, developer initiatives. Thirteen communities have implemented either linkage or bonus programs for child care -- the result being the construction of 35 child care centers, serving an estimated 1,535 children, and over $3 million in developer fees to local governments for child care.[34]

Grants and Loans. Nineteen states have implemented child care grant programs and 14 have implemented loan programs to employers and/or child care providers to encourage the development of quality, affordable child care. State grant and

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[33] Child Care Action Campaign, Employer Tax Credits for Child Care: Asset or Liability?, New York, November, 1989.

[34] Child Care Action Campaign, Building Links: Developer Initiatives For Financing Child Care, New York, July, 1990.

loan programs are most commonly funded through line-item additions to the implementing department's budget. These programs appear to be effective in addressing issues of supply, quality, and affordability. Although the goals of individual state grant or loan programs may vary, virtually all of the programs have had a positive impact on some component of the state child care system. Most of the programs provide funds to both providers, including centers and family child care homes, and to employers. Four states specifically target employers and seven states have programs designed to target the child care provider community exclusively.

Grants are used to finance start-up expenses, construction and renovation, purchase of equipment, food, and to subsidize staff wages. Loans, appealing because of their lower than prime interest rate, are typically used to finance the initial capital costs incurred when constructing a center.

The results of the grant and loan programs are hard to quantify. Many states do not have adequate reporting mechanisms to monitor and track the monies that they distribute, and many states do not know how their money is spent once it is awarded to the grant or loan recipient. However, interviews with employers and providers indicate that these state funds have helped them expand and improve their programs.[35]

The Banking Community. Banks are typically reluctant to loan money to child care entrepreneurs because such ventures are perceived to involve high risks. High transaction costs involved in underwriting a child care financing package and long term maturity risks, combined with the fact that women, a group typically lacking a business track record, constitute nearly 95% of child care operators, and banks consider them high lending risks.

The states, however, can encourage banks to finance child care by minimizing their risk in several ways. State governments may serve as guarantors for bank loans, and reduce a bank's risk by assuming fiscal responsibility. States can also offer technical assistance to enhance the management and financial skills of child care providers, thus improving providers' capacity to operate their venture.

Under the federal Community Reinvestment Act, banks and savings institutions have an obligation affirmatively to address the credit needs of their entire communities. Child care

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[35] Child Care Action Campaign, unpublished data, October, 1990.

financing fits within the scope and intent of the federal and state community reinvestment laws.[36]

Employer Involvement in Child Care

More and more employers are becoming aware of the benefits they may incur by addressing the child care needs of their employees. They are realizing that the problems parents face in their search for quality, affordable child care have an impact on the productivity of their employees. Most employers, aware of the changing labor force demographics, want to institute strategies, such as child care benefits, that will give them a competitive edge, to attract and retain skilled workers.

Employers, both large and small, are increasing their involvement by offering their employees a host of child care benefits. Employer involvement in child care has grown by over 400 percent since 1978. In 1978, approximately 110 employers provided some form of child care benefit to their employees. In 1989, an estimated 5,400 employers provide a child care benefit to their employees.[37]

Employers have a range of options to choose from: the provision of a child care center located either on-site or near-site, or as part of a consortium; assistance to employees for child care expenses in the form of vendor or voucher programs,

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[36] Center for Policy Alternatives, "Reinvesting in Child Care, Opportunities and Responsibilities for Banks in New York State," unpublished manuscript, November, 1990.

[37] Dana Friedman, Families and Work Institute, Interview, September, 1990.

and Dependent Care Assistance Programs that help parents address the issue of child care affordability; the provision of information and referral services to help provide employees information about child care providers in their communities; and through a variety of flexible work and benefit plans such as parental leave, job sharing, cafeteria plans, that facilitates child care for many parents.

Of the 5,400 employers who provide some form of child care benefit, 1,200 provide on-site or near-site centers. Recent surveys indicate that the number of employers considering an on-site option is increasing, because employers are concerned about the quality of care that is otherwise available.

Looking To The Future

The American child care "system" exists as an ad-hoc, disjointed array of policies without clear, comprehensive goals. The current system fails to provide appropriate environments for children, and many of the arrangements are unreliable.

Congress recently passed the Child Care and Development Block Grant which will provide an additional $2.5 billion in child care funds to the states over the next three years. However, the competition for diminishing state resources, and the impending recession, make the question of how to pay for improving and expanding child care critical.

The time has come for child care professionals to look to other disciplines -- to housing, to health care, to lending

institutions, and to transportation -- to examine financing strategies in these social services and to see how such strategies may apply or translate to the child care field.

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